



## **Seattle Public Schools The Office of Internal Audit**

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**Internal Audit Report  
The Center School**

**September 1, 2017 through April 30, 2018**

**Issue Date: June 5, 2018**



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### **Executive Summary**

#### **Background**

The Center School is located in the Central Region of Seattle Public Schools. It is a high school with 241 students and 15 staff, and operates on an annual budget of \$2.19 million. The School is focused on integrating the arts and community engagement into the curriculum. The Center School is located within the Seattle Center and leases its space from the City of Seattle.

Although Center School was the focus of this audit, our primary goal was to evaluate the overall system of controls put in place by the District. The decentralized nature of a school district results in a situation where many key internal control and compliance functions are performed at the individual schools. The audits conducted at the individual schools will help ensure that these key functions are being performed and are having their intended effect. This audit will also help to highlight those areas where the schools may not have clear guidance on the procedures they are expected to perform, and it will identify those situations where they have not been provided adequate resources to perform these key functions properly. In addition to the findings and recommendations noted in this report, the Office of Internal Audit is also using the knowledge gained from the school audits to develop an annual risk assessment that will be used to identify future audit areas.

During the 2017-2018 school year, the District began implementing an automated point-of-sale system, which will allow families to make credit and debit card payments to schools. This will decrease the amount of cash and checks transacted through schools, and will reduce the financial risk traditionally associated with school audits. The Center School does not currently use the new point-of-sale system, however, it is expected to be implemented in the next school year. As the District transitions to this new system, the focus of this year's school audits will be less on fiscal matters and more on school governance. The main focus of the school audits will be on areas requiring schools to exercise some building-level autonomy over their procedures. Schools must make decisions to address the unique needs of their students, while still complying with federal or state requirements, collective bargaining agreements, and District policies and procedures. Many times these independent decisions will differ from school to school, and there is a risk that compliance requirements will not be addressed, or that the building-level decisions will create inequity from school to school. By including these areas in the school audits, we will be able to assess the risks associated with a decentralized environment, and we will be able to cover several important topics within each school audit.

Center School is a considerably smaller school compared to other traditional high schools in the District. Staff are often taking on additional roles and responsibilities that are typically fully staffed by multiple individuals at traditional schools. The School does not have a dedicated fiscal specialist or registrar position. Instead, the responsibilities of these functions are built into the normal job duties performed by the School's Administrative Secretary. We acknowledge that the limitation in resources presents challenges to the School's operations. The findings and recommendations identified in this report are not intended to highlight individual shortcomings, but rather are intended to guide employees on correct procedures. We appreciate the School's



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understanding of the internal audit process, and their desire to work with us on continuous improvement.

### **Roles and Responsibilities**

This audit was completed as part of the *Annual Risk Assessment and Audit Plan* approved by the Audit and Finance Committee on September 5, 2017. District Management has the primary responsibility to establish, implement, and monitor internal controls. Internal Audit's function is to assess and test those controls in order to provide reasonable assurance that the controls are adequate and operating effectively. We conducted the audit using due professional care, and we believe that the evidence obtained provides a reasonable basis for our findings and conclusions.

### **Audit Objectives**

To ensure compliance and strong internal controls in the following areas:

- Cash Handling & Receipting
- Building Leadership Team (BLT)
- Continuous School Improvement Plan (CSIP)
- Substitute Rebates and Reimbursements
- Student Records
- Physical Education and Graduation Waivers
- Online Learning Credits
- Enrollment
- Overnight Field Trips
- PTSA, Booster Club, and ASB Fundraising
- Crowdsourcing Fundraisers
- Nutrition Standards
- Leave Time Approval
- Building Security
- Master Schedule

### **Scope of the Audit**

September 1, 2017 through April 30, 2018

### **Audit Approach and Methodology**

To achieve the audit objectives, we performed the following procedures:

- Planned the audit in cooperation with central administration staff from Accounting, College & Career Readiness, Facilities, Human Resources, Nutrition Services, Payroll, and Records & Archives to ensure that we had a strong understanding of the District's compliance requirements.



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- Reviewed applicable District policies, administrative procedures, and written guidance provided by departments in central administration.
- Reviewed applicable Revised Code of Washington, Washington Administrative Code, and King County Department of Health website for State and local compliance requirements.
- Conducted a surprise cash count in order to observe operations in their normal environment.
- Interviewed school staff knowledgeable of each objective area.
- Analyzed available data to corroborate the information obtained.
- Examined accounting records and tested supporting documentation.

## **Conclusion**

Based on the procedures performed, Center School appears to have adequate controls in each of the objective areas, except for the items noted in this report. This report includes recommendations that are intended to improve the overall accountability and transparency of the objective areas.

We extend our appreciation to the staff at Center School for their assistance and cooperation during the course of the audit.

*Andrew Medina*

Andrew Medina, CPA, CFE  
Director, Office of Internal Audit



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**Findings and Recommendations**

**1) Cash Handling and Receipting**

During the course of our audit, we identified a concern related to cash handling and receipting. Funds are not always deposited into a District bank account once every 24 consecutive hours, as required by the ASB Procedures Manual and State law. This issue is a basic cash handling and receipting requirement that applies to both the General Fund and the Associated Student Body (ASB) Fund.

The current procedures are not adequate to safeguard District resources, which increases the risk of theft, loss, and abuse.

**Recommendation**

In order to ensure accountability for District resources; reduce the risk of theft, loss, or abuse; and protect itself and its staff from unnecessary scrutiny, we recommend that the School deposit all funds collected into the District's bank account every 24 hours. Funds collected after hours at the end of the work week or during the weekends should be deposited by the next workday.



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## **2) Student Records**

Board Policy 3231 governs the requirements for student records and Superintendent Procedure 3231SP establishes procedures governing the content, management, and control of student records. The District's Archives and Records Management Department also provides training and reference material related to student records.

We noted the following concerns associated with student records during the audit:

- Student cumulative files, which are used to collect and maintain academic records on a routine basis, included documents that are not required to be retained, have exceeded their minimum retention period, or should be retained in a separate confidential and/or medical file. Retaining these items in the student cumulative files increases the risk that they will be inappropriately released and it subjects the District to an unnecessary liability.
  - Items such as state testing scores that are available online, and miscellaneous school assignments and pamphlets are not required to be retained.
  - One file reviewed included a Decree of Adoption, which is not required to be retained. This document may have been used to update student enrollment and parent/guardian information. If so, these types of documents can be destroyed once they serve their immediate purpose.
  - Although a restraining order is a public record, it is a legal document that is not collected and maintained by schools on a routine basis and does not serve an educational purpose.
  - Other items such as grade reports, attendance records, and disciplinary actions have limited retention periods and can be destroyed once their retention period has expired.
  - Two out of 10 files reviewed included a completed 504-2 form, which is a survey to identify disabled students. Both forms indicated no disability. These forms are only to be completed by families if it believes their child has a disability. Since no disability was identified the School is not required to retain these forms. If a disability is identified, these forms should go through proper channels and be retained in a 504 document file, rather than the student's cumulative file.
- The School did not complete the required Annual Retention and Destruction Log which notes the most common documents and retention periods for school records.
- Students serving as teacher's assistants are allowed to file documents in student files.



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## **Recommendation**

We recommend the following:

- The School should review the student cumulative files and destroy any unnecessary documents that are not required to be retained or have met their retention period.
- Legal documents such as restraining orders should be kept separate from student cumulative files to protect the privacy of students. However, the School should have a central area where these are kept to quickly access the order when necessary to protect the safety of its students.
- The School should also remove and separately file documents that are considered confidential or medical information.
- When students transfer into or out of the School within the District, review the files to remove any unnecessary or outdated documents.
- The District's Annual Retention and Destruction Log should be completed and submitted to the District's Records Manager by the end of the school year.
- Only authorized and designated staff members should be allowed to file documents in student files.



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**Management Response from Center School**

**1) Cash Handling**

*The Administrative Secretary, Registrar & Fiscal Clerk will engage in professional development training to learn how to use the District's electronic monitoring system for all cash handling and receipting requirements for both the General Fund and the ASB fund. The Audit Recommendation will be adhered to as noted in the report for fund collections and deposits for all collected monies – General and ASB.*

**2) Student Records**

*The Administrative Secretary, Registrar & Fiscal Clerk will review the recommendations for immediate adherence in terms of record destruction timelines, central area access for restraining orders, removal and separate filing of documents with confidential and medical information, review of files for transfer students, complete an annual District's Retention and Destruction log by June 29, 2018, and allowing only authorized and designated staff to file documents in student files.*